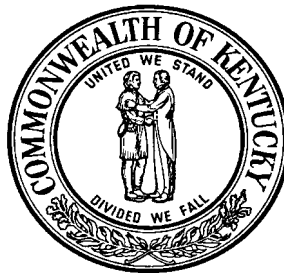


**REPORT OF THE AUDIT OF THE  
WOODFORD COUNTY  
CLERK**

**For The Period  
September 1, 2008 Through December 31, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WOODFORD COUNTY CLERK**

**For The Year Period  
September 1, 2008 Through December 31, 2008**

The Auditor of Public Accounts has completed the Woodford County Clerk's audit for the period September 1, 2008 through December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees were \$152,571 for the period September 1, 2008 through December 31, 2008.

#### **Report Comments:**

- 2008-1 The County Clerk Failed To Provide A Complete And Accurate Financial Statement
- 2008-2 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash Receipts

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Coyle, Woodford County Judge/Executive  
The Honorable Judie Woolums, Woodford County Clerk  
Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Woodford County, Kentucky, for the period September 1, 2008 through December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the period September 1, 2008 through December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated on July 16, 2009 our consideration of the Woodford County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable John Coyle, Woodford County Judge/Executive  
The Honorable Judie Woolums, Woodford County Clerk  
Members of the Woodford County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-1 The County Clerk Failed To Provide A Complete And Accurate Financial Statement
- 2008-2 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash Receipts

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Woodford County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

July 16, 2009



WOODFORD COUNTY  
JUDIE WOOLUMS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period September 1, 2008 Through December 31, 2008

Revenues

State Fees For Services	\$	7,561
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Fiscal Court		23,069
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	202,801
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Usage Tax		586,768
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Tangible Personal Property Tax		644,583
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Other-

Fish and Game Licenses		2,431
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Marriage Licenses		1,953
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Deed Transfer Tax		36,877
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Delinquent Tax	16,483	1,491,896
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		6,370
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Real Estate Mortgages		13,217
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Chattel Mortgages and Financing Statements		14,932
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Powers of Attorney		308
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All Other Recordings		9,743
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Charges for Other Services-

Copywork	10,302	54,872
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Other:

Miscellaneous		2,886
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Interest Earned		184
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Total Revenues		1,580,468
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WOODFORD COUNTY  
 JUDIE WOOLUMS, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Period September 1, 2008 Through December 31, 2008  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 137,574

Usage Tax 568,894

Tangible Personal Property Tax 251,436

Licenses, Taxes, and Fees-

Fish and Game Licenses 1,406

Delinquent Tax 2,109

Legal Process Tax 6,055 \$ 967,474

Payments to Fiscal Court:

Tangible Personal Property Tax 46,458

Delinquent Tax 457

Deed Transfer Tax 40,503

Affordable Housing 13,800 101,218

Payments to Other Districts:

Tangible Personal Property Tax 320,572

Delinquent Tax 8,952 329,524

Payments to Sheriff 182

Payments to County Attorney 2,426

Operating Expenditures:

Other Charges-

Miscellaneous 2,484

Refunds 1,520 4,004

Total Expenditures 1,404,828

WOODFORD COUNTY  
JUDIE WOOLUMS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Period September 1, 2008 Through December 31, 2008  
(Continued)

Net Revenues	\$ 175,640
Less: Statutory Maximum	<u>21,962</u>
Excess Fees	153,678
Less: Expense Allowance	<u>1,107</u>
Excess Fees Due County for 2008	152,571
Payments to Fiscal Court - Monthly	<u>142,945</u>
Balance Due Fiscal Court	<u><u>\$ 9,626</u></u>

The accompanying notes are an integral part of this financial statement.

WOODFORD COUNTY  
NOTES TO FINANCIAL STATEMENT

For The Period September 1, 2008 Through December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WOODFORD COUNTY  
NOTES TO FINANCIAL STATEMENT  
For The Period September 1, 2008 Through December 31, 2008  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Woodford County Clerk was required by the Fiscal Court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts due to the taxing districts. Residual funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Woodford County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

WOODFORD COUNTY  
NOTES TO FINANCIAL STATEMENT  
For The Period September 1, 2008 Through December 31, 2008  
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Woodford County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable John Coyle, Woodford County Judge/Executive  
The Honorable Judie Woolums, Woodford County Clerk  
Members of the Woodford County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Woodford County Clerk for the period September 1, 2008 through December 31, 2008, and have issued our report thereon dated July 16, 2009. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Woodford County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations, as item 2008-2, to be a significant deficiency in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Woodford County Clerk's financial statement for the period September 1, 2008 through December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2008-1.

The Woodford County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Woodford County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

July 16, 2009

## COMMENTS AND RECOMMENDATIONS



WOODFORD COUNTY  
JUDIE WOOLUMS, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Period September 1, 2008 Through December 31, 2008

STATE LAWS AND REGULATIONS:

2008-1 The County Clerk Failed To Provide A Complete And Accurate Financial Statement

The County Clerk took office effective September 1, 2008. A financial statement should have been prepared for the time period of September 1, 2008 through December 31, 2008; however, this was not done. Instead the 4<sup>th</sup> Quarter Report was prepared for the full calendar year of 2008, including both the former County Clerk's figures along with the current County Clerk. Furthermore, auditor noted that the 4<sup>th</sup> Quarter Report provided to the auditor was not complete or accurate. The receipts and disbursements ledgers did not agree to the 4<sup>th</sup> Quarter Report, which required the auditor to recap the monthly receipts ledgers and each cancelled check in order to obtain the correct amounts. KRS 68.210 requires the official to have accurate recording of receipts and expenditures. We recommend the County Clerk comply with KRS 68.210 by requiring accurate recording of both receipts and expenditures.

*County Clerk's Response: None.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

2008-2 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash Receipts

The County Clerk's office lacks adequate segregation of duties over cash receipts. All employees are in the position to collect money throughout the day, including those with bookkeeping functions, resulting in no segregation between the collection, recording and reconciliation of receipts. In order to improve internal controls over receipts, we recommend that duties be segregated as much as possible and compensating controls should be implemented (examples follow) to help offset the lack of segregation of duties.

- The County Clerk should periodically recount all receipts and agree this back to the daily checkout sheet and bank deposit. The County Clerk should initial both the daily checkout sheet and deposit to show agreement.
- The County Clerk should periodically agree the daily checkout sheet to the receipts ledger to ensure accuracy. The County Clerk should initial both the daily checkout sheet and the receipts ledger to show agreement.
- The County Clerk should compare the receipts ledger to the 4<sup>th</sup> Quarter Report to ensure accuracy. The County Clerk should initial the 4<sup>th</sup> Quarter Report and receipts ledger to document comparison.

*County Clerk's Response: I do check but don't initial the copies.*

